

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

POSTAL RATE AND FEE CHANGES, 1997)

RECEIVED
FEB 26 9 50 AM '98
Docket No. R97-1

FURTHER ERRATA TO DIRECT TESTIMONY OF DR. JOHN HALDI (VP/CW-T-1)
ON BEHALF OF VAL-PAK DIRECT MARKETING SYSTEMS, INC.,
VAL-PAK DEALERS' ASSOCIATION, INC., AND
CAROL WRIGHT PROMOTIONS, INC.
(February 26, 1998)

The attached errata reflect further changes associated to the responses to
MOAA/VP/CW-T1-1-11, and also contain certain other minor changes. Most corrections deal
with changes necessitated by a miscopying of ECR High-Density and Saturation DDU-entry
volumes in table A-6 at p. A-13.

Respectfully submitted,




William J. Olson
John S. Miles
Alan Woll
Jack F. Callender
WILLIAM J. OLSON, P.C.
8180 Greensboro Drive, Suite 1070
McLean, Virginia 22102-3823
(703) 356-5070

Counsel for Val-pak Direct Marketing Systems,
Inc., Val-pak Dealers' Association, Inc., and
Carol Wright Promotions, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served by hand delivery or mail the foregoing
document upon all participants of record in this proceeding in accordance with Section 12 of the
Rules of Practice.


William J. Olson

February 26, 1998

Table 3

Standard A ECR Mail
Revenues and Costs Test Year After Rates
By Shape
(\$, 000)

	<u>Letters</u>	<u>Nonletters</u>	<u>Total</u>
Revenues from Rates	1,194,629	3,067,889	4,262,518
Volume-variable Costs, including contingency	495,916	1,389,524	1,885,440
Margin	698,713	1,678,365	2,377,078
Mark-up	140.89%	120.79%	126.08%
Per Piece (cents)	<u>Letters</u>	<u>Nonletters</u>	<u>Average</u>
Revenues	13.71	15.36	14.86
Costs	5.69	6.96	6.57
Margin	8.02	8.40	8.29

Source: Revenues, Appendix C, Table C-12.
Costs, Appendix A, Table A-2.
Volumes, Appendix A, Table A-6.

In part D, rates developed for BMC dropship were rounded. Shipping costs of 1.5 cents were added to develop rates in the No Destination Entry column. Rate differentials of 0.3 and 0.5 cents, respectively, were subtracted to develop the SCF and DDU rates. These are the initial adjusted rates.

Table C-3: Standard A ECR Letters Development of VP-CW

Proposed Rates. This table is a continuation of Table C-2. Part E reproduces TYAR Volumes from Table A-6. These volumes multiplied by the initial adjusted rates (Table C-2, part D) result in TYAR initial projected revenues of \$1,223,728,727, as shown in part F. Subtracting target revenues for letters, \$1,194,628,579 (Table C-12) results in a difference from the initial rates of \$29,100,148, or 0.33 cents per piece. Adjusting initial rates by this amount results in the proposed rates for letters shown in part G.

The difference between proposed rates and the current rates (Table C-1, part D), stated as a percentage, is shown in part H. The presort discount from the Basic Rate is shown as the differential in part I.

Multiplying the final rates in part G by the TYAR volumes gives us the TYAR projected revenues of \$1,194,503,940, as shown in part J. This is a slight decrease of \$124,639 or 0.01 percent from the Postal Service's proposed rates TYAR revenues of \$1,194,628,579.

Table C-10: Standard A ECR Nonletters VP-CW Proposed Rates.

Table C-11: Standard A ECR Nonletters VP-CW Proposed Rates TYAR Projected Revenues and Margin. Multiplying the VP-CW proposed rates (Table C-10) by the volumes (Table C-4) and weights (Table C-5) gives TYAR projected revenues. Deducting the total TYAR costs (Table C-9) leaves the margin, or expected contribution to institutional costs, of \$1,682,409,408, which is \$4,044,084 more than the contribution of \$1,678,365,324 developed from projections of the Postal Service's proposed rates.

Table C-12: Standard A ECR Mail TYAR Projected Revenue. Comparing the contributions projected by USPS and VP-CW proposed rates shows that the rates proposed by VP-CW provide a combined margin that is essentially equal but slightly more (by \$4,044,084) than the margin from rates proposed by the Postal Service.

	USPS Proposed Rates	VP-CW Proposed Rates	Difference
LETTER MARGIN	\$ 698,713,000	\$ 698,588,000	\$ -125,000
NONLETTER MARGIN	1,678,365,324	1,682,409,408	4,044,084
TOTAL MARGIN	\$ 2,377,078,324	\$ 2,380,997,408	\$ 3,919,084

Table C-3

Revised 2/26/98

**Standard A ECR Letters
Development of VP-CW Proposed Rates**

E: (TYAR Volume - Pieces)

	No Dest. Entry	BMC	SCF	DDU	Total
LETTERS					
Automation	682,281,000	856,221,000	479,035,000	42,125,000	2,059,662,000
Basic	835,299,000	1,035,288,000	1,205,217,000	97,961,000	3,173,765,000
High-D	40,077,000	38,040,000	248,831,000	66,038,000	392,986,000
Saturation	374,796,000	211,268,000	2,029,472,000	470,851,000	3,086,387,000
	1,932,453,000	2,140,817,000	3,962,555,000	676,975,000	8,712,800,000

F: INITIAL REVENUES

LETTERS					
Automation	111,211,803	126,720,708	69,460,075	5,897,500	313,290,086
Basic	142,000,830	160,469,640	183,192,984	14,400,267	500,063,721
High-D	5,811,165	4,945,200	31,601,537	8,056,636	50,414,538
Saturation	49,847,868	24,929,624	233,389,280	51,793,610	359,960,382
Subtotal	308,871,666	317,065,172	517,643,876	80,148,013	1,223,728,727

Target Revenues from letters (Table C-12) 1,194,628,579
 Difference 29,100,148

Per piece difference 0.003339931

G: FINAL ADJUSTED PROPOSED 90% FIXED, 10% PERCENTAGE RATES

	No Dest. Entry	BMC	SCF	DDU
Automation	16.0	14.5	14.2	13.7
Basic	16.7	15.2	14.9	14.4
High-D	14.2	12.7	12.4	11.9
Saturation	12.9	11.4	11.1	10.6

H: PERCENT CHANGE FROM CURRENT RATES

Automation	9.6%	9.0%	10.9%	11.4%
Basic	11%	11%	13%	13%
High-D	0%	-2%	0%	0%
Saturation	-3%	-5%	-3%	-4%

I: PRESORT DIFFERENTIAL

Automation	0.7	0.7	0.7	0.7
Basic	--	--	--	--
High-D	2.5	2.5	2.5	2.5
Saturation	3.8	3.8	3.8	3.8

J: INITIAL REVENUES

LETTERS					
Automation	109,164,960	124,152,045	68,022,970	5,771,125	307,111,100
Basic	139,494,933	157,363,776	179,577,333	14,106,384	490,542,426
High-D	5,690,934	4,831,080	30,855,044	7,858,522	49,235,580
Saturation	48,348,684	24,084,552	225,271,392	49,910,206	347,614,834
Subtotal	302,699,511	310,431,453	503,726,739	77,646,237	1,194,503,940

Table C-7

Revised 2/26/98

Standard A ECR Nonletters
Postal Service Proposed Rates
TYAR Projected Revenues and Margins

	No Dest. Entry	BMC	SCF	DDU	Total
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NONLETTERS					
Piece-Rated					
Basic	92,643,108	256,914,889	510,013,478	16,290,576	875,862,051
High-D	4,444,497	5,870,658	62,809,155	27,795,560	100,919,870
Saturation	39,636,087	36,013,194	274,210,050	365,527,302	715,386,633
Subtotal	136,723,692	298,798,741	847,032,683	409,613,438	1,692,168,554
Pound-Rated					
Basic	13,831,078	59,803,696	185,200,234	3,117,232	261,952,240
High-D	253,834	179,281	6,502,049	10,815,448	17,750,612
Saturation	1,601,549	181,171	12,442,805	58,242,763	72,468,288
Subtotal	15,686,461	60,164,148	204,145,088	72,175,443	352,171,140
Per pound					
Basic	42,220,227	157,890,164	471,864,940	7,562,145	679,537,476
High-D	1,033,362	626,363	21,982,149	34,743,361	58,385,234
Saturation	7,861,726	756,442	50,844,184	226,164,474	285,626,827
Subtotal	51,115,315	159,272,968	544,691,273	268,469,981	1,023,549,537
TOTAL					3,067,889,231
LESS COST:					1,389,523,907
MARGIN (CONTRIBUTION)					1,678,365,324

(Deleted)

Sources:

- [1] Table C-4 Volume.
- [2] Table C-5 Weight.
- [3] Table C-6 USPS Proposed Rates.

Table C-12

Revised 2/26/98

Standard A ECR Mail
TYAR Projected Revenue

TY Revenue - After Rates Enhanced Carrier Route Subclass (Volumes and Revenues in Millions)						Letters	NonLetters
Categories	Unit	Rates (1)	Volume (2)	Revenue (3)		(4)	(5)
Letters							
1 Basic	per piece	0.164	3173.765	520.497		520.497	
2 High Density	per piece	0.143	392.986	56.197		56.197	
3 Saturation	per piece	0.134	3086.387	413.576		413.576	
4 Automated	per piece	0.157	2059.662	323.367		323.367	
4a Subtotal			8712.8	1313.637		1,313.637	
Nonletters, Piece-Rated							
5 Basic	per piece	0.164	5897.937	967.262			967.262
6 High Density	per piece	0.153	750.655	114.850			114.850
7 Saturation	per piece	0.141	5893.965	831.049			831.049
8 Subtotal			12542.558	1913.161			1,913.161
Nonletters, Pound-Rated							
9 Basic	per piece	0.055	4762.7676	261.952			261.952
10 High Density	per piece	0.044	403.423	17.751			17.751
11 Saturation	per piece	0.032	2264.6339	72.468			72.468
12 Subtotal			7430.8242	352.171			352.171
13 Basic	per pound	0.530	1509.972	800.285			800.285
14 High Density	per pound	0.530	135.773	71.960			71.960
15 Saturation	per pound	0.530	670.004	355.102			355.102
16 Subtotal			2315.7493	1227.347			1,227.347
17 Total	pieces		28686.182				
Dropship Discounts:							
Piece-Rated							
18 BMC	per piece	-0.015	4193.438	-62.902		-32.112	-30.789
19 SCF	per piece	-0.018	10150.400	-182.707		-71.326	-111.381
20 DDU	per piece	-0.023	4104.013	-94.392		-15.570	-78.822
21 Subtotal			18447.852	-340.001		-119.009	-220.992
Pound-Rated							
22 BMC	per pound	-0.072	347.758	-25.039			-25.039
23 SCF	per pound	-0.088	1232.333	-108.445			-108.445
24 DDU	per pound	-0.110	639.214	-70.314			-70.314
25 Subtotal			2219.305	-203.797			-203.797
26 Net Revenue from Rates (L.4a+L.8+L.12+L.16+L.21+L.				4262.518		1,194.629	3,067.889
27 Revenue adjustment factor (Page 1)				1.000002			
28 Adjusted revenue from rates (L.26*L.27)				4262.527		28.03%	71.97%
29 Fees (Page 14)				33.08869			
30 Revenue from residual shape surcharge (Page 13)				8.38882			
31 Total Revenue (L.28+L.29+L.30)				4304.004			
32 TYAR revenue per piece (L.31 / L.17)				0.150038			

- (1) Lines 5,9,13,14,15 from formula, page 19. Dropship discounts from Page 9.
Other rates calculated by subtracting discounts (p.18) from Basic rates
from formula.
- (2) Page 20, Col (1,2,6 to 11)
- (3) Col (1) * Col (2)

Split in shaded area developed by Haldi Associates, Inc.

Source:

[1] USPS-T-36, WP1, page 23.